1

INTRODUCTION TO DEFENSE ACQUISITION MANAGEMENT

A basic understanding of defense acquisition begins with the following definition.

The defense acquisition system is a single uniform system whereby all equipment, facilities, and services are planned, developed, acquired, maintained, and disposed of by the Department of Defense (DoD). The system includes policies and practices that govern acquisition, identifying and prioritizing resource requirements, directing and controlling the process, contracting, and reporting to Congress.

The defense acquisition system provides the framework for acquisition of weapons and automated information systems and other items used by the armed forces to meet threats to national security and to support the decision-making process. A weapon system is a system to assist the DoD in conducting its mission of deterring (or in the case deterrence fails, winning) war. Automated Information Systems (AISs) include a combination of hardware and computer software, data and/or telecommunications, that perform functions such as collecting, processing, transmitting, and displaying information used in the DoD decision-making process. An AIS specifically excludes computer resources, both hardware and software, that are physically parts of, dedicated to, or essential in real time to the mission performance of weapon systems (these are called Mission Critical Computer Resources (MCCRs) and are considered part of the specific weapon system). "Acquisition" includes research, development, test and evaluation (RDT&E), production, procurement, and operations and support. The word "procurement", which is "the act of buying goods and services for the Government," is often (and mistakenly) considered synonymous with acquisition. The term "defense acquisition" generally applies only to weapons and management information systems processes, procedures, and end products. However, non-weapon and non-AIS items and services required by the DoD, such as studies, passenger vehicles, supplies, construction, and waste removal, are also "acquired" and thus considered part of the acquisition process. "Management" includes a set of tasks required to accomplish a specified project. Another way of looking at Systems Acquisition Management is by looking at some individual elements that comprise each of these terms.

System	Acquisition	Management
• Hardware	• Determine Need	• Plan
 Software 	 Design and Develop 	 Organize
 Logistic Support 	• Test	 Staff
 Manuals 	• Produce	 Control
 Facilities 	• Field	• Lead
 Personnel 	 Support 	
 Training 	• Improve or Replace	
• Spares	• Dispose	

The Role Of Congress, The Executive Branch, And Industry In Defense Acquisition

The three principal participants (players) in defense acquisition include the Executive Branch of the Federal Government, the Congress, and industry (defense contractors). Each element plays a significant role and brings a unique perspective to the process. Each of these participants, in terms of perspectives, responsibilities, and objectives, is discussed briefly below.

Executive Branch

Principal players within the Executive Branch include the President, the DoD, the Office of Management and Budget (OMB), the Department of State, and the National Security Council (NSC).

Perspectives

- Formulate, direct, & execute national security policy
- · Want to be reelected
- Patriotic
- Personal ambition

Responsibilities

- Issue directives/regulations
- Contract with Industry
- Exercise command and control of unified commands through CJCS*
- Negotiate with Congress
- USD(A&T)** makes decisions on major defense acquisition programs
- Sign legislation into law

Objectives

- · Satisfy national security needs and objectives
- Maintain a balanced force structure
- · Field weapon systems to defeat the threat
- Prevent undue Congressional interest/scrutiny
- Eliminate fraud, waste, and abuse in acquisition

^{*} Chairman, Joint Chiefs of Staff

^{**} Under Secretary of Defense (Acquisition and Technology)

Legislative Branch

The Legislative Branch (Congress) includes: the two authorizing committees—the Senate Armed Services Committee (SASC) and the House National Security Committee (HNSC); and the two appropriations committees—the House Appropriations Committee (HAC) and Senate Appropriations Committee (SAC). Other elements of the Legislative Branch include the Senate and House Budget Committees; various committees having legislative oversight of defense activities; individual members of Congress; the Congressional Budget Office (CBO); and the General Accounting Office (GAO).

Perspectives

- · Represent interests of their constituents
- Two-party system
- Checks and balances
- Personal ambition
- Want to be reelected
- Patriotic
- Concerned for world peace

Responsibilities

- Debate/vote/pass legislation
- · Conduct hearings
- Set ceilings (manpower and equipment)
- Establish oversight committees
- Raise taxes/provide budget authority

Objectives

- · Balance defense and social needs
- Distribute "dollars" by district
- Control public debt
- Maximize competition

- Control industry profits
- · Control fraud, waste, abuse, and mismanagement

Industry

The defense industry (contractors) includes large and small organizations providing goods and services to DoD.

Perspectives

- · Represent interests of the owners or stockholders
- Capitalism
- Patriotism

Responsibilities

- Respond to solicitations
- Propose solutions
- Conduct independent R&D*
- · Design systems
- Produce systems
- Upgrade/support systems

Objectives

- · Profit and growth
- · Cash flow
- · Market share
- Stability
- Technological achievement

Numerous external factors impact on and help shape every defense acquisition program, creating an environment over which no single person has complete control. These factors include forces, policies, decisions, regulations, reactions, and

^{*}Research and Development

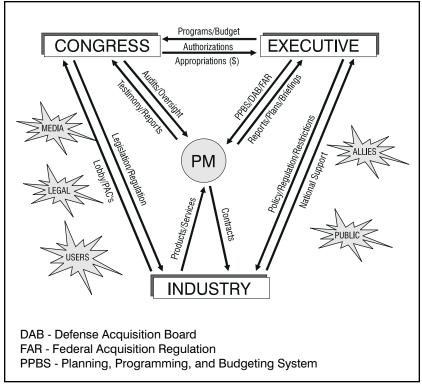


Figure 1-1. The Program Manager's Environment

emergencies. Other factors include Political Action Committees (PACs), the media, public sentiment and emotions, world opinion, and the ever present (and changing) threat to national security. Often these factors work at opposite purposes. Understanding and dealing with the environment they create is one of the greatest challenges for defense acquisition managers. Figure 1-1 illustrates some of the interrelationships among these key players. This figure also shows the Program Manager (PM) in the middle of this "tortured triangle," faced with the monumental task of coordinating among the principal participants and managing an acquisition program in the midst of many significant, diverse, and often competing, interests.

Successful System Acquisition Program

A successful system acquisition program is one that places a capable and supportable system in the hands of a user when and where it is needed, and does so within the bounds of affordability. The ideal outcome necessary for successful long-term relationships among the participants in defense acquisition is "Win-Win," wherein each participant gains something of value for participating. Depending on your perspective, "success" can take many different forms.

For the *PM*, success means a system that is delivered on time, within cost, and meets its technical requirements.

For the Office of the Secretary of Defense (OSD) staff, success means a program that does not attract undue Congressional scrutiny, one that satisfies national security objectives, and provides a balanced force structure.

For the *Congress*, success means a system that strikes a balance between defense and social needs, provides a fair distribution of defense dollars by state/district, and one that has not involved any scandals.

For *industry*, success means a program that provides a positive cash flow, a satisfactory return on investment, and one that preserves the contractor's competitive position in the industry.

For the *user*, success means a system that is effective in combat and easy to operate and maintain.

To a large extent, a person's (or organization's) perspective on what constitutes a successful program depends on their position. In other words, where you *stand* on "success" is largely a function of where you *sit*.

Authority For Defense Systems Acquisition

The authority for DoD to conduct systems acquisition, i.e., to develop, produce, and field weapons systems, flows from four principal sources. These sources include the Law (legal basis), Executive Direction, OMB Circular A-109, and the Federal Acquisition Regulation (FAR). A brief synopsis of each of these follows.

The Law

Statutory authority from Congress provides the legal basis for systems acquisition. Some of the most prominent laws are:

- Armed Services Procurement Act (1947), as amended, the original law, now essentially replaced by subsequent legislation;
- Small Business Act (1963), as amended;
- Office of Federal Procurement Policy Act (1983), as amended;
- Competition in Contracting Act (1984);
- DoD Procurement Reform Act (1985);
- DoD Reorganization Act of 1986 (Goldwater-Nichols);
- Federal Acquisition Streamlining Act (FASA) of 1994;
- Title 10, United States Code (U.S. Armed Forces and DoD Organization); and
- Annual authorization and appropriations legislation, which in recent years has contained substantial new or amended statutory requirements.

Executive Direction

Authority and guidance also emanates from the Executive Branch in the form of executive orders, national security and presidential decision directives, and other departmental or agency regulations. Examples include:

- Executive Order (E.O.) 12352 (1982), which directed procurement reforms and establishment of the FAR;
- National Security Decision Directive (NSDD) 219 (1986), which directed implementation of recommendations of the President's Blue Ribbon (Packard) Commission on Defense Management; and
- National Security Review (NSR) 11 (1989), which directed the Defense Management Review (DMR) and subsequent Defense Management Report to the President.

OMB Circular A-109

This document defines the system acquisition process as a "sequence of acquisition activities starting from the agency's mission needs, with its capabilities, priorities, and resources (dollars), extending through introduction into use or successful achievement of program objectives." It establishes the basic acquisition policy for all federal agencies, particularly for major programs, and includes requirements to:

- Express needs and objectives in mission terms;
- Emphasize competitive exploration of alternative system design concepts;
- Communicate with Congress early (and frequently);
- Establish clear lines of management authority, and designate a PM for each major program;
- Designate an agency acquisition focal point; and
- Avoid a premature commitment to full scale development and production.

Federal Acquisition Regulation (FAR)

The FAR is the primary regulation for use by all federal agencies for the acquisition of supplies and services with appropriated funds. This document, published in 1984, consolidated the major procurement regulations of the various departments

and agencies. The intent was to standardize content and decrease the volume of regulatory guidance, while establishing a consistent set of procurement rules throughout the federal government. The FAR applies to the acquisition of all goods and services. It guides and directs the defense PM in many ways, including contract award procedures, acquisition planning, warranties, and establishing guidelines for competition. Besides the FAR, each federal agency has a supplement to describe its own particular ways of doing business. The DoD supplement is called the DFARS (Department of Defense Federal Acquisition Regulation Supplement).